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Industrial Commission of Arizona
Medical Resource Office
800 W. Washington St
Phoenix, AZ 85007

Industrial Commission of Arizona (ICA),

This letter is in reference to the "proposed fee schedule". I, Scott Ostrow, hereby go on record as being vehemently opposed to the conditions set forth on July 1 by the Industrial Commission of Arizona. There are multiple reasons why I, as a small business owner in the state of Arizona and a supporter of Arizona's injured workers, strongly disagree with the measures the ICA is about to take. There are also multiple reasons why I believe the measures to be not only out of the ICA's realm of power, but also directly aligned with the desires of large insurance carriers.

As a small business owner that supports the best interests of Arizona's injured workers, I find the "proposed fee schedule" alarming at best. Physicians' rights to practice medicine are being limited and injured workers' rights to receive the best grade of care in a timely manner are being ignored. Adjustments to the fee schedule addressing medication reimbursements across the board can address the issue of "overcharging and/or overpayment of prescriptions" that insurance companies are complaining of without neglecting the doctors and their patients. Yet, as it stands now, doctors will essentially be forced to send their injured patients to large box pharmacies which eliminate the patients' right to choose. It is a sad day when supposedly unbiased third parties align themselves directly with one side, seemingly from the onset.

There are undeniable, referenceable facts that outline how the "proposed fee schedule" is both out of the realm of what the ICA was tasked to do by Arizona's state legislature, as well as directly aligned with the interests of large insurance companies that stand to profit if it goes through. To start, the ICA was tasked by state legislatures to simply review the fee schedule. The reason that SB1111 did not pass on the Senate floor was due directly to the fact that it limited physicians' right to practice by eliminating in-office dispensing programs here in Arizona...yet that is exactly what the ICA now proposes to do. It is not in the ICA's realm of power to write laws, but simply to make small adjustments. Never once has a fee schedule reduction resulted in lowering premiums for the insured; fee schedule reductions have only lead to increased profit margins for insurance companies, and this "proposed fee schedule" is no different (see study attached, also available at PRIgroup.org)In the past eight years, the ICA has always released their proposals by late march or early April, yet this year it was conveniently released in June when Arizona's legislature was out of session and unable to answer. Furthermore, the public hearing was conveniently scheduled during a holiday week, ensuring that even less concerned parties would be able to be in attendance. Per the state legislature, there were to be stake holder meetings held to hear both sides on this matter, yet they were never held. Our pleas to convene were ignored, answered with too short notice for any action to be taken on our part, or scheduled and then canceled with no cause. On the contrary, the ICA has proven by their own divulgence of "proof and facts" supporting their "proposed fee schedule" that they have been in constant contact with insurance companies regarding this matter, as all data spouted has come directly from said insurers. It is unfathomable that, had the ICA done their due diligence in hearing and vetting information from all state holders, they would have continued down this path of physician hindrance and outright support of insurance carriers. It is shameful that, again, the care of Arizona's injured workers is about to be thrown under the bus for the monetary gain of the companies that insure them.

The ICA always asks for facts. Here are some facts that aren't insurance-driven and are much more to-date than the data provided to the ICA by whomever they received their information from:

1. By 2015, the total premiums paid for comp insurance in Illinois (noting this state since, for two consecutive meetings, the ICA has chosen to reference data from Illinois) has risen to $2.83 billion, but barely half of the premiums were utilized to pay claims for injured workers ($1.5 billion), while the insurance companies pocketed a nice sum of almost half the premium cost ($1.3 billion). From 2011-2016, worker's compensation insurers have kept (not paid out in claims) over $6 billion in employer-paid premiums (turnersackett.com).
2. Despite what insurance companies would have you believe, according to WCRI's original findings, the actual numbers of pills dispensed are about 50% less when a physician dispenses from an in-office program vs. when a prescription is sent to a big box pharmacy…interestingly, this fact is conveniently left out of their studies now.
3. The two medications that Copperpoint/Mitchell chose to point out in their slide show (Dendracin and Odansetron) already require prior authorization from insurance companies before they can be reimbursed.
4. Attached profitability report, showing a staggering rate of profit return year after year (PRIgroup.org).

I strongly encourage the Industrial Commission of Arizona to rethink its stance on this matter. If the care of your loved one was at stake, and their physicians were limited in their ability to care for him/her due to their insurance companies plight to pad their pockets even further, would you hope a more well-rounded decision had been made than the one you're about to make. I know I WILL. Here's hoping the ICA puts propaganda aside, thinks critically about the truth of these matters, and makes a decision they will sleep well with.

Sincerely,

Scott Ostrow
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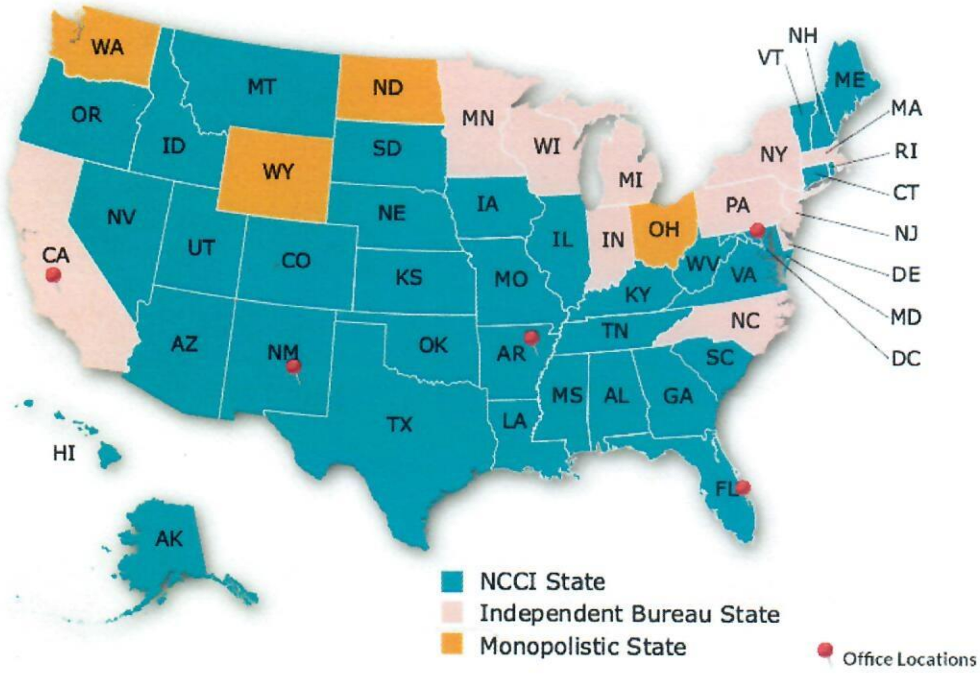
Since its creation in January 2016, PRI has developed an ever increasing interest in tracking insurance company profitability in the workers compensation marketplace. The reason for this is the remarkable and historically unprecedented upsurge in profitability for workers compensation insurers.

One of the best indicators of this increasing profitability is reporting by the National Conference of Compensation Insurers (NCCI). NCCI is insurance owned but, more importantly, is recognized in 38 states as the rate filing agency in those states. Companies can discount off of these approved rates and sometimes do. Below is a map showing NCCI's presence.



Each year, NCCI issues what it calls a "State Of The Line" report which presents data concerning underwriting gains or losses and profitability by "line" of insurance, workers compensation being one "line."

Being a workers compensation insurer has never been so good. In 2017, NCCI reported that workers compensation insurance realized a 23.3% on "pretax" gain (underwriting profit plus investment profit) with the lowest rate loss ratio (88%) since the 1950s. This compared with the "average pretax" gain of 6.9%

for all years since 1997. For detailed charts supporting these statements go to Archives on NCCI 2017 Report. (http://www.physiciansresearchinstitute.org/workers-compensation-and-the-money-keeps-rolling-in-%e2%88%92-to-insurers/)

If 2017 was good, 2018 was even better. See (https://www.ncci.com/SecureDocuments/SOLGuide2019.html) and click on WC Premium. The average loss ratio declined to 83% which was the lowest loss ratio since the 1930s. The "pretax" gain increased to 26% and while "investment" profit was down, that is surely not the case now with the current ever ascending stock market.

And it's just not the NCCI states which are experiencing such profitability. Ohio is a "monopoly" state where rates are set by a state agency. It has become a yearly political rite where the Governor goes to the state company's headquarters to announce a "dividend" to be returned to Ohio employers. The "dividend" just announced was 88% of the premium charged. Suffice it to say, the state agency grossly overcharged employers but the politicians get credit for returning the overcharges which are likely just applied to the next year's premium.

> **BWC Board OKs $1.5B Rebate for Ohio Employers**
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> COLUMBUS, Ohio – The board of directors for the Ohio Bureau of Workers' Compensation approved a proposal Friday from Gov. Mike DeWine to send $1.5 billion of the agency's revenues to Ohio employers covered by the BWC system.
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> The $1.5 billion equals 88% of the premiums employers paid for the policy year that ended June 30, 2018 (calendar year 2017 for public employers), the agency said.
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> Published by The Business Journal, Youngstown, Ohio. June 28, 2019

Workers compensation premium rates (dollars per $100 of payroll) have been declining for the last 20 years. At the same time the insurance industry has led a national campaign to reduce benefits arguing that insurance rates are too high and, in many states, have been successful in restricting benefits or limiting access to doctors.

Groups like ProPublica and National Public Radio (NPR) say that the reason for the premium decline is numerous legislative changes to take away worker benefits. See "INSULT TO INJURY, The Demolition of Workers Comp," www.propublica.org, March, 4, 2015. The United States Department of Labor issued a 43 page report on October 5, 2016 which confirms the ProPublica/NPR position and concluded that states have decreased benefits and created hurdles to medical care.

The workers compensation system was created as a "grand bargain" between employers and their employees. Employees would give up their right to sue for improper working conditions in exchange for a "no fault" compensation system. However, the current fairness of that "bargain" is now certainly in doubt.

So where does that leave us? PRI and the physician community will continue to resist insurance company legislative and regulatory "reforms" by pointing out that the only beneficiary of such "reforms" is the insurance industry and the "losers" are workers and their treating doctors.

The current round of "reforms" are the creation of medicine "formularies" limiting doctors to certain insurance company preferred medicines in treating their patients or proposals to do away with doctors' ability to dispense appropriate medicines. Once again, insurers argue that there are cost benefits to be achieved. In making the case against these "reforms," the physician community will be armed with the insurance industry's own reports such as those provided by NCCI which demonstrate unprecedented and historically high profits which don't appear, in almost all cases, to be returned to employers.